



STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR

**VEGI – Size of businesses authorized**

The latest [annual report](#) includes figures for the number of awards by size of firm, but not for jobs or incentives authorized. This is undoubtedly misleading.

VEPC reported that over the life of the program, 61% of all authorized awards went to businesses with less than 50 employees. The reader is left with the impression that a similar amount of the jobs supposedly incentivized by the program were created by businesses with less than 50 employees. Is that even possible?

VEPC claims 8,812 jobs have been created through the program. Sixty-one percent = 5,395 jobs.

Even if we assume that all of the businesses in each of the lowest two size categories had the maximum number of workers, the total number of possible workers at the time of the applications would be 820 (21 \* 20 + 8 \* 50).

It is inconceivable that those 29 businesses (with no more than 820 employees) could have added 5,395 jobs. **I encourage you to ask VEPC to provide data on money awarded and estimated jobs created by size of business.**

All Active & Complete Applications Through Dec. 2021: Total Projected Activity, 2007 – 2026		
Size of Business by Number of Employees	Successful Applicants	
	#	%
0 – 20	21	44%
21 – 50	8	17%
51 – 75	4	8%
76 – 100	3	6%
101 – 150	4	8%
151 – 200	2	4%
201 – 500	3	6%
500+	3	6%

The issue of how, if at all, VEGI could be made more accessible to small businesses was raised at the last committee meeting. With respect, I think the predicate question is what is it that small businesses need?

For context, note that in the last five years, 35,575 VT businesses have contracted or closed, while 37,756 have expended or opened. There is tremendous churn in the economy, especially for small businesses. This presents risks of directly subsidizing businesses with uncertain prospects.

Moreover, the methodology used to determine the amount of a VEGI award (meant to ensure a positive fiscal return) is likely to result in a very small award for businesses proposing to create a handful of jobs.

On the other hand, we know that technical and managerial assistance programs increase business survival and contribute to short- and long-term growth. In addition, physical and social infrastructure are essential for a successful economy so investments in affordable housing, broadband, education, health care and childcare will produce positive returns on investment. In contrast, the available evidence on VEGI-like business incentive programs is not encouraging.

